

STATE OF MINNESOTA
OFFICE OF ADMINISTRATIVE HEARINGS
FOR THE DEPARTMENT OF HUMAN SERVICES

In the Matter of the
Expedited Rate Appeal of
Park River Estates Care Center
Provider No. 002 0107

DECISION

The above-entitled matter came on before Administrative Law Judge Bruce Campbell without a hearing pursuant to the expedited rate appeal process set out Minn. Stat. 256B.50, subd. 1d. (1988).

Written argument was filed on behalf of Park River Estates Care Center ("the Provider") by Steven E. Chies, its President. Written argument was filed on behalf of the Department of Human Services by Melane A. Milbert, Staff Attorney, Provider Appeal Division, Department of Human Services, 444 Lafayette Road, Fifth Floor, St. Paul, Minnesota 55155-3841. The final written submission by the Provider was received on January 19, 1989 on which date the record closed.

Pursuant to Minn. Stat. 256B.50, subd. 1d. (d), this decision is the final administrative decision and is not appealable.

STATEMENT OF ISSUE

The issue in this case is whether a coffee maker, bookcases and a shower chair should be classified as expenses or whether they should be capitalized for the purposes of the Provider's rate determination.

DISCUSSION

Between January and March of 1987, the Provider purchased a coffee maker for \$68.00, four bookcases at a cost of \$78.95 each, and a shower chair for \$135.68. The Provider reported these costs as expenses to be allowed for rate determination. The Department disallowed these items as expenses and proposed instead that they be capitalized. The Provider then properly perfected an appeal under Minn. Stat. 256B.50, subd. 1d. (1988).

The Provider argued that the coffee maker purchased was not a commercial grade item. Rather, the unit is small and designed for household, not industrial, use. The Provider stated that this type of unit does not last long, not more than two years without repairs. By comparison, the provider stated that the larger coffee urns in the dietary area cost in excess of \$1000.00. The Provider maintains that the "Estimated Useful Lives of Hospital Assets" (hereinafter "the Table") did not intend for such a small, inexpensive unit to be capitalized.

The bookcases were described by the Provider as small, portable and inexpensive. it contrasted the items with the "large, built-in or commercial units probably considered by the 'Hospital Assets Table'." The Provider conceded that the units would probably last more than two years.

The shower chair was described in the Provider's submission as being made of plastic pipe. The Provider argued that the Department was unduly expanding the definition of nursing services furniture as set forth in the Table.

The Department responded by citing Minn. Stat. 256B.431 subd. 3c., Minn. Rule 9549.0060 subp. 12 and the Table. Minn. Stat. 256B.431 requires the commissioner to treat as an expense the lesser of actual allowable costs for minor equipment, among other items, or \$325.00 per licensed bed. Minn. Rule 9549.0060 requires capitalization of any asset purchased which is listed in the Table. Further, any asset with a useful life of more than two years which costs more than \$500.00 must be capitalized.

Coffee maker is specifically listed on the Table. This fact does not end the inquiry, however. Coffee makers come in a wide variety of types, from expensive industrial models down to filter systems with no moving parts. The cost can range from more than \$1000.00 to less than \$20.00. The Table was intended to provide a standard depreciation rate for capital assets. The item purchased must properly belong on the Table for capitalization to be appropriate.

The price of the coffee maker, \$68.00, is low. The anticipated useful life of the item, by the Provider's estimate, is two years. The Table lists five years as the estimated useful life of a coffee maker. The item is intended for use occasionally, not continuously like an industrial model. The cost, anticipated useful life, and intended use of the coffee maker purchased by the Provider all indicate that the item is not subject to depreciation as a capital expenditure and should be treated as an expense.

Applying the same criteria to the bookcases, a different result is reached. The price of the bookcases is low, in comparison to other types of bookshelves. However, they are substantial, as the invoice indicates the items are constructed of oak. Further, the freight charge for two of the bookcases came to \$66.57. The anticipated useful life, although not specified, is conceded to be more than two years. The use of the bookcases is properly classified under Furniture, office, as listed in the Table. The bookcases are properly capitalized.

The shower chair is not specifically listed in the Table. The Department maintains that the item falls under either Furniture, Nursing Service, or Furniture, Patient. Each of these categories indicate that such an item has a useful life of 15 years. The item at issue is constructed of plastic pipe and can expect to see heavy use in a residential facility. The item is not used as furniture, but as an adjunct to bathing. The shower chair is not subject to depreciation and should be treated as an expense.

DECISION

The appeal of the Provider is GRANTED with respect to the coffee maker and shower chair and DENIED with respect to the bookcases. The Department of Human Services is ordered to allow the coffee maker and shower chair as expenses and capitalize the bookcases.

Dated: February 1989.

BRUCE D. CAMPBELL
Administrative Law Judge